

Chapter 15

Innovative Government-Backed Policy Measures in Nigeria for Sustaining MSMEs Post Pandemic

Lukman Raimi

 <https://orcid.org/0000-0002-5329-8715>

UBD School of Business and Economics, Universiti Brunei Darussalam, Brunei

ABSTRACT

This chapter investigates the adequacy of the innovative government-backed policy measures as a sustainability plan for micro, small, and medium enterprises (MSMEs) in the post-COVID-19 era in Nigeria. From a target population of 2,300 MSMEs, a sample of 729 companies was drawn using the sample determination formula of Parten. The 729 sampled MSMEs were randomly administered web-based questionnaires through their emails. In the end, the 169 responses received were analysed and the results presented using descriptive and inferential statistics. It was found that the lockdowns had adverse effects on production and supply turn-over, sales, profits, customer patronage of MSMEs. With regards to the government fiscal stimulus, it was found that the relief materials and cash assistance, tax relief, debt rescheduling, and support incentives were inadequate to forestall the adverse effect of COVID-19 on the business operations of MSMEs. In practical terms, the chapter confirms a strong readiness in Nigeria to sustain MSMEs in the post-COVID-19 era.

INTRODUCTION

Globally, the COVID-19 pandemic has continued to pose existential threats to human activities and created serious sustainability challenges to the operations of micro, small and medium enterprises (MSMEs). To sustainably reduce the adverse effect of the pandemic, the governments of developed and developing countries adopt a number of stringent measures ranging from complete or partial lockdowns, fiscal stimulus packages and other economic intervention to mitigate the spread of the disease and sustain the

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business operations of the MSMEs (Chibueze et al., 2020). Furthermore, the new normal practice of social distancing and travel restrictions adopted as COVID-19 pandemic heightened affected businesses, leading to reduction of workforce and massive jobs losses. Several schools (pre-school to tertiary education), retail outlets and manufacturing companies closed down due to sudden decrease in demand for their commodities and products. Also, disruption of operations of the hotels and restaurants led to fall in prices of agricultural commodities by 20%, and the price of Brent Crude dropped by 24% from \$34/barrel to \$25.70. In contrast, the health and food sectors benefited immensely from the pandemic as the demand for medical supplies and essential food products significantly increased due to panic-buying (Nicola et al., 2020).

In the United States of America, within a period of six weeks, a total of 28 million persons filed new claims for unemployment benefits (Barrero, Bloom & Davis, 2020). Consequently, the US government promulgated the CARES Act to provide economic reliefs and stimulus packages to the small businesses to navigate the economic disruptions resulting from the pandemic. The CARES Act Paycheck Protection Program (PPP) is a loan program created to provide bail-out to businesses to ease the challenges of payroll, lease, rent mortgage, and utility payments (Bartik et al., 2020).

With regards to Nigeria, COVID-19 affected the national economy and disrupted the daily operations, cash flow, sales, customer patronages, profits, turn-over and value chain of MSMEs. At present, Nigeria's oil Gross Domestic Product (GDP) contracted by 6.63% compared to an increase of 5.06% and 5.15% in the 1st and 2nd quarters of 2019. Whereas, the non-oil GDP contracted by 6.05% from an increase of 1.55% in the 1st quarter of 2020 and 1.64% in the 2nd quarter of 2019. Similarly, the rate of inflation rose to almost 13% (Olawoyin, 2020). To cushion the adverse effects of the pandemic, the government announced a number of reliefs for the citizens and MSMEs. Some of the Innovative Government-Backed Relief Policy Measures in the Economic Sustainability Plan of governments include: N500 billion COVID-19 Crisis Intervention Fund, N50 billion CBN intervention fund, N20,000 conditional cash transfer to the vulnerable, tax relief, rescheduling of debt repayment, debt cancelation, reduction in price of fertilizers for agribusinesses and temporary fuel price reduction among others (Chibueze et al., 2020). Apart from the Federal Government-Backed Policy Measures, Facebook provided a grant of N500 million (\$1.3 million) to support 781 small businesses in Nigeria out of its \$100 million Global Grants Programme planned for 30,000 small and medium scale businesses (SMBs) in over 30 countries (Eleanya, 2020).

The overarching question is what effect does the Economic Sustainability Plan of governments have in keeping MSMEs afloat in the Post-COVID-19 Era? Specifically, the study seeks answers to four questions: (a) to what extent are the relief materials and cash assistance to the vulnerable adequate to forestall the adverse effect of COVID-19 on businesses? (b) To what extent is the tax relief of government adequate to forestall the adverse effect of COVID-19 on businesses? (c) To what extent is the debt payment rescheduling of government adequate to forestall the adverse effect of COVID-19 on businesses? (d) To what extent are the support assistance and incentives of government adequate to forestall the adverse effect of COVID-19 on businesses?

Following the introduction is the second section, which focuses on the conceptual framework. The third section discusses the theoretical framework underpinning of the study. The fourth section explicates Pre-COVID-19 funding options for MSMEs in Nigeria. The fifth section highlights the various Government-Backed Relief Policy Measures for Post-COVID-19 Era. The sixth section explains the adopted research methodology. The seventh section presents findings/results and discussions. The chapter concludes with the implications, limitations, and recommendations.

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